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An R.R. Donnelley
& Sons Company

197364

February 29, 2000

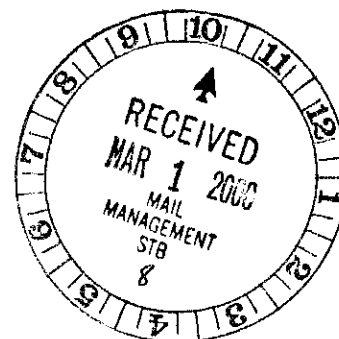


Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Office of the Secretary
Case Control Unit
Attn: STB Ex Parte No. 582
1925 K Street, N.W.
Washington, D.C. 20423-0001

UNITED STATES
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

MAR 01 2000

Part of
Public Record



Dear Mr. Williams:

This letter is to inform the Surface Transportation Board of the desire of R.R. Donnelley Logistics Services, a business unit of R.R. Donnelley & Sons Company, to make a statement before the STB, on March 8, 2000, in the matter of Ex Parte No. 582. A written copy of this statement is attached.

The individual presenting this statement on March 8 will be Mr. Haddon Allen, Senior Vice President of Operations, R.R. Donnelley Logistics Services.

Sincerely,

Jim Giblin
Jim Giblin
Donnelley Logistics Services

R.R. Donnelley & Sons Company
Statement for March 8, 2000 STB Hearing
Ex Parte No. 582

Background

R.R. Donnelley & Sons Company is one of the largest commercial printers in North America. Donnelley consumes approximately 3 million tons of printing paper per year in its operations. We rely heavily on rail transportation services to receive rolls of printing paper at our printing plants throughout the United States and North America.

Under normal rail service conditions, R.R. Donnelley receives about 26,000 rail car loads of its product each year. Approximately 14 per cent of all Donnelley-consumed paper comes from paper mills located in the state of Minnesota, served exclusively by Burlington Northern Santa Fe Railway. Another 17 per cent comes from paper mills located in eastern Canada. Most of these mills are served exclusively by the Canadian National Railroad. Our experience with these railroads has been excellent. We experienced the merger of Burlington Northern with Santa Fe and more recently the merger of Canadian National with Illinois Central. Both mergers proceeded smoothly with little or no service problems or disruptions. Both are preferred rail carriers of R.R. Donnelley.

Fair Hearing

We at R.R. Donnelley & Sons Company believe that each merger should be considered on its own merits. Certainly that is our view about the BNSF/CN combination which was recently announced. In our view the Board should follow its normal course of action and accept the application and consider the application to combine these two railroads on the record which these carriers established, rather than in light of difficulties that other railroads have experienced. This hearing should take place in the normal time frame used by the Board for these types of mergers. If the benefits to this combination are as claimed by BNSF and CN they should be made available to the shippers and industry as soon as the Board's rules permit. The hearing should not be delayed because of the problems experienced by other mergers. This combination should be considered on its own merits and basis.

Downstream Effects

With respect to the "downstream" effects of this or any merger, it is the actual merger and the way it is proposed in reality that must be considered. In our view the Board should not, and should not be required, to consider mergers in the abstract or to anticipate that a course of action will occur because of a particular merger. While there may be

other mergers for the Board to consider, it is, in our view, premature to consider what might happen later on and use that speculation as a basis to delay or deny an actual application which the applicants claim has real and realizable public benefits.

Service Issues

It is our view as a major user of rail services that regardless of public benefits, we want service after a merger to be as good as or better than the service we received before the merger. Of the recent combinations two resulted in industry service problems and two didn't. The CN/IC merger went very smoothly and resulted in service benefits to R.R. Donnelley. This is what is critically important for us, service. Given the guarantees that BNSF and CN are committing to, we think the Board should give them the opportunity without any delay to try to make their case at the Board.

Because this combination seems to be very much like the CN/IC merger, essentially end to end, with the two railroads linking up at specific points, we believe that their guarantee is a sign of their commitment to provide equal or better service after the combination is approved.

Conclusion

We urge the Board to consider the matter which is before it on the same basis and in the same time frame that it has used in past mergers. Some of those mergers have been more successful from a service delivery perspective than other mergers. However, the Board should not change the rules at this time because of the claims by other railroads about the BNSF/CN combination. The comments of the other railroads are clearly motivated by self-interest and a desire to maintain the status quo and protect their own positions with little or no regard for the benefits including competitive benefits, that the BNSF/CN combination will generate. We strongly urge the Board to proceed with its consideration of the BNSF/CN application in the usual manner and consider it on its own facts and record, on not on speculative issues such as what might happen at a later date.

Thank you for your attention. I would be pleased to try to answer any questions which you might have arising from these comments.